

Message Text

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PAGE 01 JAKART 12894 020743Z

15

ACTION EA-14

INFO OCT-01 ISO-00 EB-11 COME-00 INT-08 SCEM-02 TRSE-00

SCI-06 OMB-01 AID-20 CIAE-00 DODE-00 INR-10 NSAE-00

PA-04 RSC-01 USIA-15 PRS-01 SPC-03 L-03 SS-20 NSC-10

PM-07 DRC-01 /138 W

----- 011680

R 020706Z NOV 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9411

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

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EM O. 11652: N/A

TAGS: ENRG, ID

SUBJ: ENERGY POLICY: A NEW ROLE FOR PERTAMINA?

REF: A) JAKARTA 12889 B) JAKARTA A-135 C) JAKARTA 12466

1. DURING COVERSATION CONCERNING RECENTLY CONCLUDED SHELL-BATUBARA COAL EXPLORATION AGREEMENT (REFTEL A), CHIEF GOI DEP OF MINING LEGAL DIVISION (MANOE) CONFIRMED TO EMBOFF GOI ACTIVELY CONSIDERING COMPREHENSIVE INDON ENERGY POLICY (REFAIR B). MANOE SAID REASON SHELL SIGNED FOR EXPLORATION RIGHTS ONLY WITH NEAR-DEFUNCT STATE COAL COMPANY BATUBARA WAS THAT GOI DID NOT WANT TO SPECIFY FORM OF PRODUCTION AGREEMENT UNTIL DECISION MADE ON HOW ALL FORMS OF ENERGY WOULD BE DEVELOPED IN FUTURE. MANOE ADDED THAT ONE ASPECT OF ENERGY POLICY NOW BEING DISCUSSED WOULD BE FOR GOI TO EXPAND PERTAMINA'S (STATE OIL/GAS COMPANY) MANDATE TO COVER OTHER FORMS OF ENERGY, THEREBY MAKING IT POSSIBLE FOR PERTAMINA TO ENTER INTO PRODUCTION SHARING CONTRACTS WITH FOREIGN COMPANIES FOR COAL ORE AND GEOTHERMAL POWER EXPLORATION/PRODUCTION. MANOE DID NOT SPECULATE ON TIMING

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PAGE 02 JAKART 12894 020743Z

OF A GOI DECISION ON ENERGY POLICY OR PROBABILITY OF

PERTAMINA BEING DESIGNATED THE "STATE ENERGY COMPANY."

2. COMMENT. PRINCIPAL IMPETUS FOR DEVELOPING COMPREHENSIVE ENERGY POLICY AND ENCOURAGING DEVELOPMENT OF ALL ENERGY RESOURCES APPARENTLY STEMS FOR INDONESIA'S POSITION AS PETROLEUM EXPORTER. AS WORLD MARKET PRICE FOR INDON PETROLEUM INCREASES, GOI IS FACED WITH NEED TO DEVELOP ALTERNATE AND CHEAPER FORMS OF DOMESTIC ENERGY IN ORDER TO MAXIMIZE REVENUE FROM PETROLEUM EXPORTS AND TO MAINTAIN SEMBLANCE OF EQUILIBRIUM BETWEEN DOMESTIC AND INTERNATIONAL ENERGY PRICES WITHOUT RESORTING TO SUBSIDIES. WHETHER PERTAMINA IS GIVEN ADDITIONAL RESPONSIBILITIES FOR DEVELOPING INDON ENERGY RESOURCES REMAINS TO BE SEEN; HOWEVER, IT IS NOT UNLIKELY IN LIGHT OF PERTAMINA'S RELATIVE SUCCESS IN ATTRACTING FOREIGN CAPITAL AND TECHNOLOGY TO INCREASE OIL AND GAS PRODUCTION. AS REPORTED REFTEL C, PERTAMINA'S PRESIDENT DIRECTOR IBNU SUTOWO TOLD AMA OCT 18 THAT PERTAMINA WAS WORKING WITH GOI AGENCIES TO DEVELOP NATIONAL ENERGY POLICY INVOLVING ALL FORMS OF ENERGY--OIL, GAS, COAL, GEOTHERMAL AND HYDROELECTRIC.

GALBRAITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 02 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JAKART12894
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731159/aaaabrfr.tel
Line Count: 82
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) JAKARTA 12889 B) JAKARTA A-135 C)
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Nov-2001 by martinml>; APPROVED <17-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY POLICY: A NEW ROLE FOR PERTAMINA?
TAGS: ENRG, ID
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005